

AMENDED IN ASSEMBLY MARCH 5, 2001

AMENDED IN ASSEMBLY FEBRUARY 20, 2001

CALIFORNIA LEGISLATURE—2001–02 FIRST EXTRAORDINARY SESSION

ASSEMBLY BILL

No. 29

Introduced by Assembly Members Kehoe, Cedillo, and Shelley
(Principal coauthors: Assembly Members Cohn, Nakano, and
Wesson)

(Coauthors: Assembly Members Alquist, Calderon, Cardenas,
Keeley, and Koretz Koretz, and Pavley)

February 5, 2001

An act to add Chapter 5.3 (commencing with Section 25425) to Division 15 of the Public Resources Code, ~~and to add Sections 17053.95 and 23650 to the Revenue and Taxation Code~~, relating to energy conservation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 29, as amended, Kehoe. Energy conservation.

(1) The existing Warren-Alquist State Energy Resources Conservation and Development Act requires the State Energy Resources Conservation and Development Commission to perform specified duties relating to the conservation and development of energy resources.

This bill would require the commission to pay the costs of installation of an interval meter to a small business that voluntarily reduces its electric consumption.

This bill would require the commission to administer a grant program for the replacement of energy inefficient appliances. The bill would require the commission to cooperate with state agencies and local community-based organizations to open exchange centers that will assist in the pickup of an old appliance and will certify to the commission that the energy inefficient model was or will be destroyed or dismantled in an environmentally sound manner.

The bill would authorize the commission to adopt emergency regulations.

The bill would also require the commission to administer a grant and loan program for eligible construction or retrofit projects, as defined, *and the Small Business Energy Efficient Refrigeration Loan Program established by the bill.*

~~(2) The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.~~

~~This bill would provide a credit for a small business for taxable years beginning on or after January 1, 2002, in an amount equal to 30% of the cost of replacing a commercial refrigeration unit with a more energy-efficient model. The bill would provide that if the credit exceeds the "tax" or "net tax," the excess may be carried over to reduce the "tax" or "net tax" in the following 4 years.~~

~~(3)~~

(2) The bill would appropriate ~~\$375,000,000~~ \$450,000,000 from the General Fund to the commission to carry out the above conservation programs.

~~(4)~~

(3) The bill would declare that it is to take effect immediately as an urgency statute.

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Chapter 5.3 (commencing with Section 25425)
- 2 is added to Division 15 of the Public Resources Code, to read:
- 3

CHAPTER 5.3. ENERGY CONSERVATION ACT OF 2001

Article 1. General Provisions

25425. This chapter shall be known, and may be cited, as the Energy Conservation Act of 2001.

Article 2. Business Conservation Incentive Plan

25426. It is the intent of the Legislature in enacting this article to encourage small businesses to reduce their energy consumption, thereby saving themselves substantial sums of money and making more electricity available for further expansion of commercial enterprises in this state.

25427. As used in this article, the following terms have the following meanings:

(a) “Commercial refrigeration” means a refrigerator that is not a federally regulated consumer product.

(b) “Energy-efficient model” means an appliance that meets federal Energy Star specifications set forth in ____.

(c) “Interval meter” means a device that measures electricity usage in real time. “Interval meter” also includes net energy metering as defined in Section 2827 of the Public Utilities Code.

(d) “Small business” means any small business as defined in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.

25428. (a) The commission shall reimburse each small business for the cost of installation up to eight hundred dollars (\$800) of an interval meter if the business reduces its electricity usage by not less than 10 percent for one year following the date of installation of the meter, compared to the usage during the 12 months before the date of installation of the meter.

(b) For the purposes of this section, “cost of installation” includes labor and equipment charges imposed by an entity defined in subdivision (d) of Section 9604 of the Public Utilities Code or a publicly owned utility that provides electricity.

Article 3. Energy Efficiency Grants

25430. (a) The Legislature finds and declares that California is in the midst of an energy crisis that requires both an increase in the supply of energy and a reduction in demand.

(b) It is the intent of the Legislature to establish a state-sponsored conservation effort to assist California's families to participate in a solution to the energy crisis by replacing energy inefficient models of appliances to reduce energy consumption. These conservation investments are vitally important for California's long-term well-being.

(c) The energy conservation program established under this article is intended to be in addition to, rather than to supplant, any other existing program.

25431. (a) The commission shall administer a grant program for qualified individuals for the replacement of energy inefficient appliances, as provided in subdivision (c), with energy-efficient models.

(b) Any person of low income, as defined in Section 50093 of the Health and Safety Code, is eligible for a grant under the program established under this section. Eligible persons shall also include very low income Section 8 voucher recipients, as defined in Section 50105 of the Health and Safety Code, public housing authorities, and private nonprofit low-income housing corporations.

(c) A grant shall be equal to 50 percent of the actual cost of the energy-efficient model of the appliance not to exceed the following amounts:

(1) Two hundred dollars (\$200) for a room air-conditioner, as defined in subdivision (b) of Section 1601 of Title 20 of the California Code of Regulations.

(2) Six hundred dollars (\$600) for a central air-conditioning heat pump or other central air-conditioner, as described in subdivision (c) of Section 1601 of Title 20 of the California Code of Regulations.

(3) Four hundred dollars (\$400) for a refrigerator or refrigerator freezer, as described in subdivision (a) of Section 1601 of Title 20 of the California Code of Regulations.

(4) Four hundred dollars (\$400) for a clothes washing machine.

(d) The amount of the grant received by the grant recipient shall not be reduced pro rata by any other assistance received by the grant recipient for the purchase of an energy-efficient appliance to replace an energy inefficient model. However, the cumulative grant shall not exceed 100 percent of the actual cost of the appliance.

(e) The amount of any grant awarded pursuant to this section to a qualified individual does not constitute income for purposes of calculating the recipient's gross income for the tax year during which the grant is received.

(f) The commission shall cooperate with state agencies and local community-based organizations to open exchange centers. The staff operating the exchange centers shall do both of the following:

(1) Assist in the pickup of an old appliance.

(2) Certify to the commission that the energy inefficient model was or will be destroyed or dismantled in an environmentally sound manner.

(g) The commission may contract with one or more appropriate entities to implement and administer this article.

Article 4. Loans and Grants for Construction and Retrofit Projects

25433. It is the intent of the Legislature to establish incentives in the form of grants and loans to low-income residents, small businesses, and residential property owners for constructing and retrofitting buildings to be more energy efficient by using design elements, including, but not limited to, energy-efficient siding, insulation, and double-paned windows.

25433.5. (a) In consultation with the Public Utilities Commission, the commission shall do both of the following for the purpose of full or partial funding of an eligible construction or retrofit project:

(1) Establish a grant program to provide financial assistance to eligible low-income individuals.

(2) Establish a 2-percent interest per annum loan program to provide financial assistance to a small business owner, residential property owner, or individual who is not eligible for a grant

pursuant to paragraph (1), and whose gross annual income does not exceed one hundred thousand dollars (\$100,000).

(b) (1) The commission shall use the design guidelines adopted pursuant to Section 25495 as standards to determine eligible energy-efficiency projects.

(2) The award of a grant pursuant to this section is subject to appeal to the commission upon a showing that the commission applied factors, other than those adopted by the commission, in making the award.

(3) The grant or loan recipient shall commit to using the grant or loan for the purpose for which the grant or loan was awarded.

(4) Any action taken by an applicant to apply for, or to become or remain eligible to receive, a grant award, including satisfying conditions specified by the commission, does not constitute the rendering of goods, services, or a direct benefit to the commission.

(5) The amount of any grant awarded pursuant to this article to a low-income individual does not constitute income for purposes of calculating the recipient's gross income for the tax year during which the grant is received.

25434. The commission may contract with one or more business entities capable of supplying or providing goods or services necessary for the commission to carry out the responsibilities for the programs conducted pursuant to this article, and shall contract with one or more business entities to evaluate the effectiveness of the programs implemented pursuant to subdivision (a) of Section 25433.5. The commission may select an entity on a sole source basis for one or both of those purposes if the cost to the state will be reasonable and the commission determines that it is in the best interest of the state.

25435. As used in this article, the following terms have the following meanings:

(a) "Eligible construction or retrofit project" means a project for making improvements to a home or building in existence on the effective date of the act adding this section, through an addition, alteration, or repair, which effectively increases the energy efficiency or reduces the energy consumption of the home or building as specified by the commission's guidelines under Section 25495. The improvements shall be deemed to be cost-effective.

(b) “Low income” means an individual with a gross annual income equal to or less than 200 percent of the federal poverty level.

(c) “Small business” means any small business as defined in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.

~~Article 5.—Small Business Refrigeration Tax Credit~~

~~25435.—The commission shall administer the small business refrigeration tax credit, as provided for in Sections 17053.95 and 23650 of the Revenue and Taxation Code.~~

~~Article 6.—Miscellaneous~~

~~25436.—(1) The commission shall adopt regulations for purposes of this chapter initially as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11349) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of that chapter of the Government Code, including Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, and general welfare.~~

~~(2) To the extent possible, the commission shall use existing energy efficiency appliance standards.~~

~~SEC. 2.—Section 17053.95 is added to the Revenue and Taxation Code, to read:~~

~~17053.95.—(a) For each taxable year beginning on or after January 1, 2002, there shall be allowed as a credit against the “net tax,” as defined in Section 17039, a credit for a small business equal to 30 percent of the cost paid or incurred during the taxable year for replacing a commercial refrigeration unit with a more energy-efficient model, not to exceed two thousand dollars (\$2,000).~~

~~(b) “Small business” means a small business as defined in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.~~

~~(c) In the case where the credit allowed by this section exceeds the “net tax,” the excess may be carried over to reduce the “net~~

1 ~~tax” in the following year, and the succeeding four years if~~
2 ~~necessary, until the credit is exhausted.~~

3 ~~SEC. 3. Section 23650 is added to the Revenue and Taxation~~
4 ~~Code, to read:~~

5 ~~23650. (a) For each taxable year beginning on or after~~
6 ~~January 1, 2002, there shall be allowed as a credit against the~~
7 ~~“tax,” as defined in Section 23036, a credit for a small business~~
8 ~~equal to 30 percent of the cost paid or incurred during the taxable~~
9 ~~year for replacing a commercial refrigeration unit with a more~~
10 ~~energy-efficient model, not to exceed two thousand dollars~~
11 ~~(\$2,000).~~

12 ~~(b) “Small business” means a small business as defined in~~
13 ~~paragraph (1) of subdivision (d) of Section 14837 of the~~
14 ~~Government Code.~~

15 ~~(c) In the case where the credit allowed by this section exceeds~~
16 ~~the “tax,” the excess may be carried over to reduce the “tax” in~~
17 ~~the following year, and the succeeding four years if necessary, until~~
18 ~~the credit is exhausted.~~

19 ~~SEC. 4. To the extent data is available, the Franchise Tax~~
20 ~~Board shall report to the Legislature on or before January 1, 2003,~~
21 ~~and each year thereafter, regarding the extent of the use of the tax~~
22 ~~credits established by this act.~~

23 ~~SEC. 5. The sum of three hundred seventy five million~~
24 ~~dollars (\$375,000,000)~~

25
26 *Article 5. Small Business Energy Efficient Refrigeration Loan*
27 *Program*
28

29 *25435. The commission shall administer the Small Business*
30 *Energy Efficient Refrigeration Loan Program, as provided for in*
31 *Section 25436.*

32 *25436. (a) Within 45 days of the effective date of this chapter,*
33 *the commission shall implement a Small Business Energy Efficient*
34 *Refrigeration Loan Program for qualifying small businesses to*
35 *purchase and install energy efficient refrigeration equipment.*

36 *(b) The program shall offer loans at 3 percent interest on terms*
37 *that will ensure the small business owner will repay the loan over*
38 *time, out of the cash flow savings resulting from lower energy bills.*

39 *(c) The commission may enter into agreements with lending*
40 *institutions and qualifying vendors to facilitate making and*

1 *administering loans. Any loan made by the commission for the*
 2 *purchase of equipment shall be secured against the equipment*
 3 *purchased.*

4 *(d) The commission shall adopt regulations establishing*
 5 *procedures for loan applications that will expedite the loan*
 6 *process and accelerate the installation of energy efficient*
 7 *refrigeration equipment.*

8 *SEC. 2. The sum of four hundred fifty million dollars*
 9 *(\$450,000,000) is hereby appropriated from the General Fund to*
 10 *the State Energy Resources Conservation and Development*
 11 *Commission for allocation in accordance with the following*
 12 *schedule:*

13 *(a) Fifty million dollars (\$50,000,000) shall be expended for*
 14 *the consumer-based program that fosters the development of*
 15 *emerging renewable technologies in distributed generation*
 16 *applications, as described in paragraph (1) of subdivision (d) of*
 17 *Section 383.5 of the Public Utilities Code. At least twenty-five*
 18 *million dollars (\$25,000,000) of this amount shall be allocated by*
 19 *the commission for photovoltaic technologies, as described in*
 20 *subparagraph (C) of paragraph (2) of subdivision (d) of Section*
 21 *383.5 of the Public Utilities Code and the remainder shall be*
 22 *allocated by the commission for solar thermal electric, fuel cell*
 23 *technologies that utilize renewable fuels, and wind turbines of not*
 24 *more than 10 kilowatts rated electrical capacity per customer site*
 25 *as described in that subparagraph.*

26 *(b) Two hundred million dollars (\$200,000,000) shall be*
 27 *expended in accordance with Section 25431 of the Public*
 28 *Resources Code, for a grant program for qualified individuals for*
 29 *the replacement of energy inefficient appliances.*

30 *(c) One hundred million dollars (\$100,000,000) shall be*
 31 *expended in accordance with Section 25434 of the Public*
 32 *Resources Code, for a loan or a grant for an eligible construction*
 33 *or retrofit project.*

34 *(d) Twenty-five million dollars (\$25,000,000) shall be*
 35 *expended for the Business Conservation Incentive Plan provided*
 36 *for in Article 2 (commencing with Section 25426) of Chapter 5.3*
 37 *of Division 15 of the Public Resources Code.*

38 ~~SEC. 6.—~~

39 *(e) Seventy-five million dollars (\$75,000,000) shall be*
 40 *expended for the Small Business Energy Efficient Refrigeration*

1 *Loan Program provided for in Section 25436 of the Public*
2 *Resources Code.*

3 *SEC. 3.* This act is an urgency statute necessary for the
4 immediate preservation of the public peace, health, or safety
5 within the meaning of Article IV of the Constitution and shall go
6 into immediate effect. The facts constituting the necessity are:

7 In order to implement energy conservation programs to address
8 the energy crisis of the winter of 2001 as soon as possible, it is
9 necessary that this act take effect immediately.

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